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WHERE ARE THE TAXIS GOING? A HISTORY OF REGULATORY DISRUPTIONS

(Paper presented at the Special Session “Taxis” of the 12th World Conference on Transport Research (WCTR) - Lisbon 2010)

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ABSTRACT

1. Everywhere in the world, the taxi is set to play a central role in the future of urban mobility. On the supply side, the revolution in practices brought about by the mobile phone and GPS still have a long way to go in terms of improvements in service and reductions in costs. On the demand side, demographic and lifestyle changes and environmental imperatives are beginning to create certain needs that the taxi is best able to meet at minimum cost.
2. These forces that govern the role of the taxi and the demand for mobility apply everywhere, but the resistances they encounter differ from one city to the next. However, even in cities where existing positions seem most firmly entrenched, the attraction of these markets is such that new players are managing to infiltrate gaps in the system by means of innovation.
3. The evolution of the taxi industry is generally not a smooth ride, especially when some stakeholders, entrenched in obsolete regulation, have been able to deter reform for a long time.
4. When looking back through history, the taxi industry seems to evolve from crisis to crisis, punctuating more or less lengthy periods of stillness. These crises may be the disruptive entries of newcomers into a tightly regulated market. Most of the time, these bring with them a new technology or a radically different business model. These crises may also be engineered by governments, as in the case of deregulation.
5. Studying these critical moments could provide some insights in the basic economic and political mechanisms at work when shaping the supply of taxi services and help regulators anticipating the outcomes of the changes in progress they witness.

INTRODUCTION

6. I was recently invited to present my book “Where are the taxis going?” at the annual convention of the French National union of the artisan-taxis. This invitation came as a big surprise to me since I knew that in the past several years the union did not particularly appreciate some of my comments reported in newspapers and television about the quality of taxi services in France. Three years ago they had conspicuously ignored my invitation to attend the Lisbon taxi conference I was organizing with José Viegas and the IVM.
7. Almost all the taxis in France are owner-operated and licences can reach rocket high prices 200.000 € in Paris, 450.000 in Nice. And no government since WWII has dared to go against their Union will.

8. I expected aggressive questions at the end of my presentation. It was just the opposite. They asked for more details about the big changes that had happened in the taxi industries in Europe and also in France in the past centuries.

9. In France, taxis, and the Private-hires (minicabs), are regulated by the ministry of Interior, i.e. the Police. Over the last half-century the taxis have frightened off every French government into inaction and managed to prevent any significant increase in the number of licences. They also obtained the gradual extinction of the Private-hires.

10. Their sudden interest for my book came when they discovered that a small paragraph of a law about tourism passed during last year's summer vacations could annihilate the value of their licences. According to this new law, any individual could operate a "voiture de tourisme avec chauffeur" to carry passengers after qualifying by attending a 3-months training course.

11. When the general public discover this loophole in the monopoly, very disruptive entries in the market will certainly follow if the taxi lobby cannot manage to get the law repealed. As a union official told me: "when we see who enters the market first, we'll know who was behind this law".

12. When looking back through history, the taxi industry seems to evolve from crisis to crisis, punctuating more or less lengthy periods of stillness. These crises may be the disruptive entries of newcomers into a tightly regulated market. Most of the time, these bring with them a new technology or a radically different business model. These crises may also be engineered by governments, as in the case of deregulation.

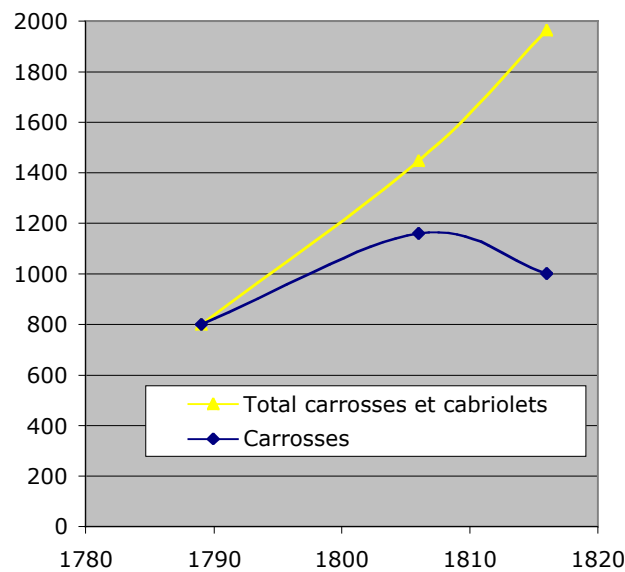
DEREGULATION

13. Dissatisfaction of the general public with the existing system compels the government to change the rules. This is easier with a major change in the government, or even better with a revolution.

14. Cromwell's revolution in England in 1649 ended the monopoly the Duke of Hamilton enjoyed over the hackney coaches business (and incidentally cut his head) to replace it by the Fellowship of Master Hackney Coachmen. In a matter of months, the number of hackney coaches jumped from 50 to 200.

15. The same happened with the French revolution. With two differences however, the Sieur Perrot managed to keep his head, and instead of handing the regulation over to a guild of professionals, the French revolution implemented perfect "laissez-faire" and let the doors wide open to any entrepreneur. In twenty years the number of coaches, which had remained stagnant for several decades, doubled and more importantly a new type of vehicle appeared: the *cabriolet*, lighter and more elegant than the traditional *carrosse*. These will be imported to London as "cabs" following the London Hackney Carriage Act of 1831 that opened the door to competition.

Figure 1 – Impact of the deregulation on the coaches and cabs fleets in Paris (1789-1806-1816)

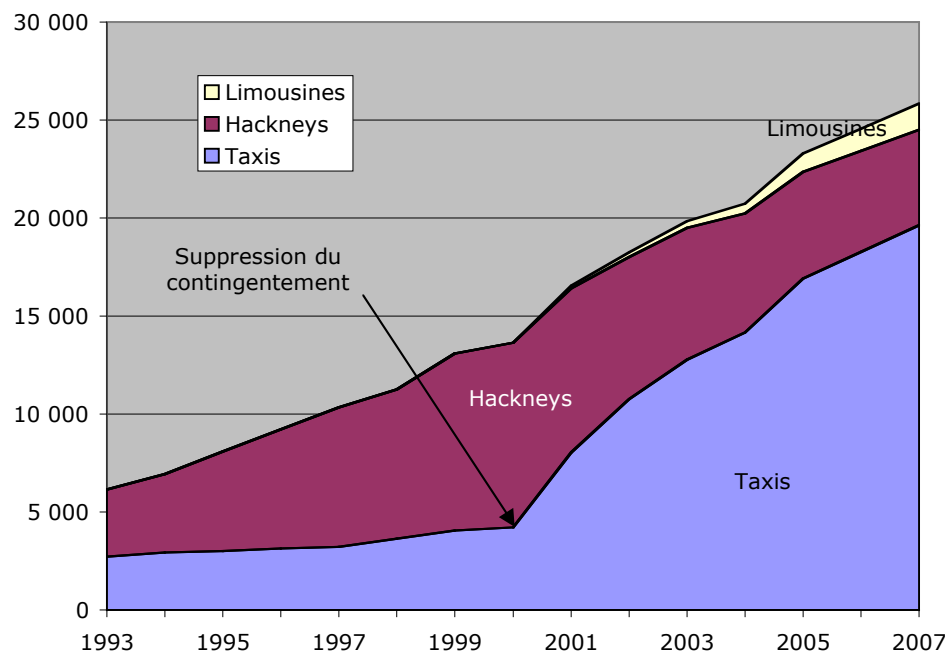


Source: calcul de l'auteur d'après Mezzadri, 2003, pp. 31, 257, 70.

16. Dissatisfaction of the public probably also explains why the Swedish government in 1991 and the Dutch government in 2000 totally deregulated the taxi industry. Sometimes a milder approach goes awry as in the case of Ireland. To increase the number of taxis without confronting the licence owners, the government had planned to give to each one of them a second licence. Private hire owners (called Hackneys in Ireland) were excluded from the deal. Two of them brought the case to courts arguing it was unfair discrimination. The judge, bringing forward the French etymology of the word “control”, explained the government mission to control the taxi industry did not mean a mission to cap the industry. Quotas had thus to be removed.

17. What happened is that within less than a decade, the number of taxis increased tenfold. It is interesting to note that prior to deregulation, Private Hire Vehicles (PHVs), called Hackneys in Ireland, had filled the gap between a frozen supply and the growing demand driven by the economic growth that followed Ireland's entry into the EEC (see Figure 2).

Figure 2 - Evolution of the Small Public Service Vehicles (SPSVs) fleet in Ireland 1993-2004



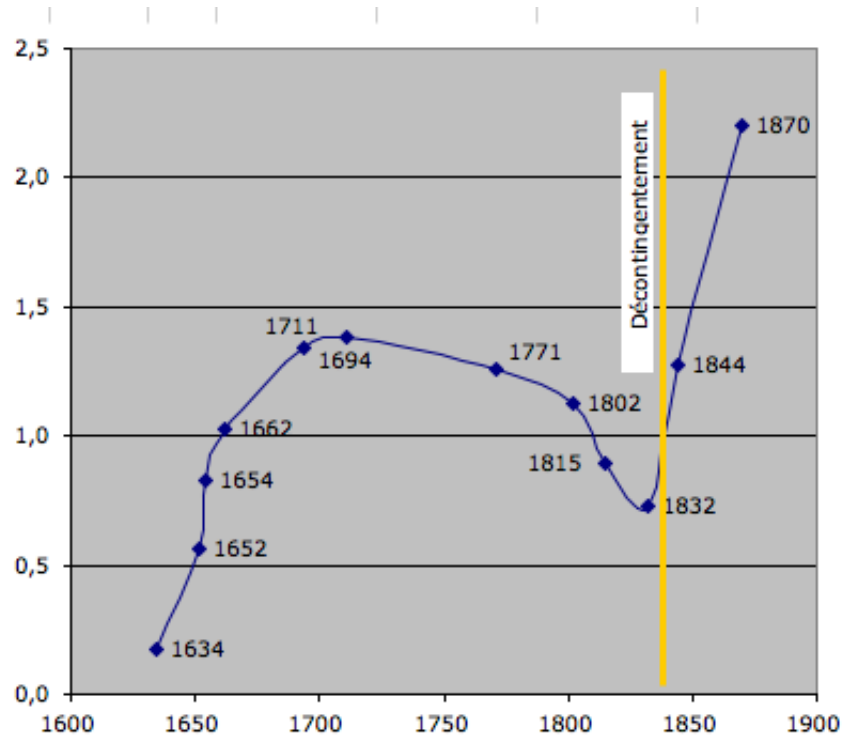
Source: Darbéra 2009, p. 162.

DISRUPTIVE ENTRIES BY NEW COMERS

The “cabriolets” and the London Hackney Carriage Act of 1831

18. The total deregulation that followed the French revolution allowed new comers to bring a new type of vehicle with only two wheels and good suspension: the cabriolet (from cabriole = caper). In London, until 1822 the Fellowship of Master Hackney Coachmen had managed to keep a de facto monopoly over the supply of hackney coaches. Two gentlemen from the House of Commons, a banker and a lawyer, asked for 12 licences to introduce this new vehicle in London. The commissioner refused. Backed by the Treasury the gentlemen eventually obtain two sets of six licences. This was a breach. Other gentlemen followed suit and got cab licences. Hackney Coachmen also asked for cab licences but the gentlemen lobbied to prevent it. Eventually, the London Hackney Carriage Act of 1831 wide opened the doors. The gentlemen hurriedly left the business.

Figure 3 - Hackney coaches per thousand residents in London (1625-1870)



Source: Darbéra 2009, p. 70.

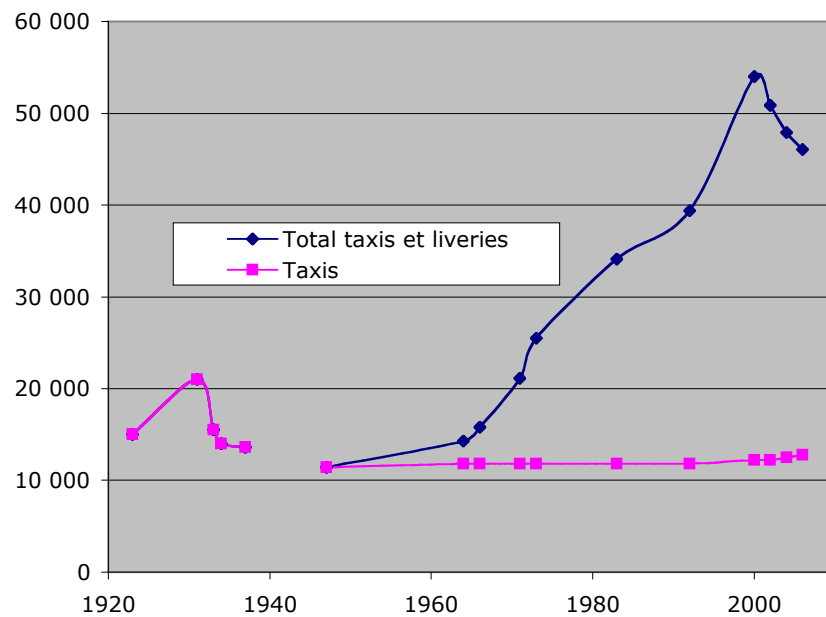
The Paris petrol cars

19. In 1905 a small group of young bankers and engineers made a deal with Renault and introduced petrol cars with taximeters (taximeters will become mandatory only in 1911) for the same fare as the horse drawn cabs. The red and black cars of the company invaded Paris, then, through subsidiaries, London in 1906 and New York in 1907. But met less success in London because of the Knowledge, a difficult exam that hampered the recruitment of new drivers.

The New York Liveries

20. With the telephone becoming a common appliance in the American households, the liveries industry started a dramatic expansion. The yellow cabs entered the fray (thanks to the new radio systems that reduced the cost of radio dispatch)... and deserted the streets. They also vehemently complained against the “unfair competition” from the liveries. Eventually a deal was struck with the Taxi and Limousine Commission by which the yellow cabs would give up the telephone business to the liveries and as a compensation the commissioner would abandon plans to increase the number of taxi licences (medallions).

Figure 4 - Evolution of the taxis and liveries fleets in New York (1920-2006)



Source: from Schaller Consulting (2006) The New York City Taxicab Fact Book, March 2006, 64 p. Schaller Consulting, Brooklyn, NY, p. 30.

The London minicabs

21. With the widespread access to the telephone and the advent of cheaper radio dispatch technology, the same could have happened in London. However, since the number of black cabs was not capped, they resisted better to the introduction of the minicabs. The bold experiment by Welbeck Motor who introduced 200 minicabs in 1963, ended up in bankruptcy. The minicabs, however, slowly grew in numbers and now are about twice as numerous as the black cabs.

Figure 5 – The small red car that frightened the black cabs



Welbeck Motor minicabs were Renault Dauphines painted in red. It was such an event that Dinky Toys produced one.

The Paris motorbikes

22. A first attempt to introduce motorbikes taxis backfired in 1985. This service had no legal status, so the Préfet de Police, who is the Paris taxi regulator, granted it a “voiture de remise” status, i.e. a sort of PHV status. The taxi unions challenged it at the courts, arguing it was unsafe (see the cartoon figure 6). As a consequence, the Préfet put so many restrictions on this new service that the company eventually bankrupted. In 2003, young entrepreneurs started a new service providing expensive but ultra fast motorbike transport even at peak hours. They cleverly avoided registering with the Préfet de Police, and even with the transport ministry. They also carried out a skilful media campaign.

Figure 6 – It’s dangerous, it’s not comfortable and it’s going to swipe lots our custommers.



Source: Pessin, *Le Monde*, 1985

23. Motorbikes taxis services eventually obtained a new legal status and are now a common feature of the Paris private hire supply.

THE END OF THE TAXIMETER? OR THE END OF THE REGULATED TAXICAB?

24. The next major disruption will come from communication technologies coupled with GPS and the Internet. Smartphone apps will render obsolete the economic justifications for setting taxis quotas and for regulating taxi fares since the borderline between street hail (a taxicab monopoly) and telephone booking will be blurred.

25. The first casualties of the next disruption will probably be the incumbent radio call-and-dispatch centres.

CONCLUSION

26. The evolution of the taxi industry is generally not a smooth ride, especially when some stakeholders, entrenched in obsolete regulation, have been able to deter reform for a long time. When looking back through history, the taxi industry seems to evolve from crisis to crisis, punctuating more or less lengthy periods of stillness. These crises may be the disruptive entries of newcomers into a tightly regulated market. Most of the time, these bring with them a new technology or a radically different business model. These crises may also be engineered by governments, as in the case of deregulation.

27. Studying these critical moments could provide some insights in the basic economic and political mechanisms at work when shaping the supply of taxi services and help regulators anticipating the outcomes of the changes in progress they witness.

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